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SUBJECT: BEN ALI ANNOUNCES NEW POLICIES TO FACILITATE
BUSINESS

¶1. (SBU) SUMMARY. On November 21, President Zine El Abidine Ben Ali spoke on the occasion of the opening of the 14th Congress of the Tunisian Employers' Association for Industry, Trade and Handicrafts (UTICA) and delivered a speech announcing some new economic and commercial policies. Designed to spur foreign investment and increase the competitiveness of Tunisian firms, the policies seem to do little to reduce the state's strong influence over private business. END SUMMARY.

¶2. (U) BACKGROUND: The Tunisian Employers, Association for Industry, Trade and Handicrafts (Union Tunisienne de l'Industrie du Commerce et de l'Artisanat, UTICA) is the sole employers' union in Tunisia and represents companies in almost every Tunisian business sector. A traditional counterbalance to the once powerful General Union of Tunisian Workers (UGTT), UTICA negotiates on behalf of the private sector in the triennial national labor negotiations, lobbies for business and engages in trade promotion. Like many Tunisian entities, UTICA holds a national congress once every five years. The 14th UTICA Congress (November 21-22) will evaluate the past five years, performance, outline the challenges facing business and make recommendations for the coming years, in addition to holding elections for the Executive Bureau.

¶3. (U) President Ben Ali attended the opening session of 14th UTICA Congress on November 21 and was introduced by current UTICA Chairman Hedi Djilani, who has been head of the organization since 1988, in addition to being a member of the Chamber of Deputies (lower parliamentary body) and the ruling Democratic Constitutional Rally (RCD) party Central Committee. Djilani's introduction was predictably laudatory, stressing that UTICA's members had responded to all of Ben Ali's directives (more investment, more exports, etc.). The only thing UTICA wanted in return, said Djilani, was for Ben Ali to remain in power. Known for their generally pro-Ben Ali stance, UTICA delegates in attendance rose on several occasions to chant "Tunis! Ben Ali!" and "Long live Ben Ali!" during Djilani's introduction and Ben Ali's subsequent speech.

¶4. (U) In his speech, Ben Ali highlighted Tunisia's economic achievements and challenges in the five years since the last UTICA Congress. He also announced some new policies designed to spur business, including:

-- IPR PROTECTION: Drafting a law to improve the protection

of trademarks, empowering economic inspection agents to seize counterfeit trademarked products, regardless of whether or not the trademark owner has taken civil action. IMPACT: This is a major development that will improve IPR protection for non-resident firms that have not initiated legal action. Now the GOT can seize counterfeit products, even if the trademark owner is not aware of the violation. At present, trademark owners have to initiate the complaint for the GOT to take action.

Also, preparing a law for the protection and registration of controlled origin appellation, and to develop a public awareness campaign for producers, to facilitate their raw materials supply and market their products. IMPACT: This law appears designed to assist local producers (like of wine, olive oil and harissa) to in establishing controlled origin appellation for their products, particularly those intended for export.

-- CUSTOMS: Establishing a "master plan" for customs clearances, which will aim to shorten clearance periods to less than 24 hours from the submission of required documents and increase electronic processing of customs declarations from 40 percent to 80 percent by 2007. Ben Ali also called on involved parties to do their part to improve the quality and speed of freight, handling, transport and inspection operations and reduce the amount of time goods remain in port. IMPACT: Customs clearances are notoriously time-consuming and some report bribery is widespread. It is not clear if this "master plan" will have any impact on the realities of this business issue.

-- PRODUCTS: Launching a pilot program for the establishment of logistical centers across Tunisia for collection, distribution, packaging, canning and quality control

facilities, as well as lower the cost and facilitate the marketing of high-value export products. IMPACT: This program appears to be directly associated with a recent tender for the establishment of a port logistical center in Tunis and may also assist agricultural producers in exporting a branded retail product as opposed to bulk exports.

-- PROFITS: Developing a program to liberate profit margins in goods and services where there is sufficient competition. IMPACT: In some industries, there is a limit on the profit margin for products, therefore the program would increase the profitability of related firms.

-- EXCHANGE CONTROLS: Eliminating foreign exchange authorizations for advance payments for the import of production-related goods and services, transport and communication expenses; IMPACT: In the past, Tunisia firms had to present customs documentation to prove the imports had arrived before they would be able to obtain hard currency to pay for the goods. This decision may be a response to IMF calls for increased liberalization, as it allows importing firms to obtain hard currency without authorization to make advance payments for imports.

-- Extending the payment facilities offered by Tunisian firms from six months to one year. IMPACT: Perhaps designed to assist the banking sector in reducing the number of non-performing loans, this will allow Tunisian wholesalers to extend repayment periods for smaller firms. While a benefit for the end-user, this will place an increased burden on wholesalers, whose payments may not be received for an entire year.

-- FOREIGN DIRECT INVESTMENT: Canceling exchange authorization for subscription to the increase of the capital of Tunisian companies beyond the preferential rights of subscription in sectors covered by the Investment Code.

-- Allowing non-residents who invest more than 50 percent of the total capital of a Tunisian company the right to manage the firms accounts, and increasing short-term dinar or foreign currency borrowing limits for these individuals, in

order to finance local product purchases. IMPACT: Both of these initiatives will make it easier for foreign investors to control their hard currency and their broader investments, whose control of which has limited investment in the past. Previously, foreign firms had limits on the amount of foreign capital that could be added to an existing investment, and additional rights were limited to those who controlled more than 66 percent of the total capital.

-- Encouraging new investors to re-open closed exporting companies through the elimination of outstanding customs fees on these facilities. IMPACT: Some smaller exporting firms, such as textile companies, have closed due to lack of competitiveness and left fees for customs-related services unpaid. This policy will remove the burden on the new investor to pay these overdue fees.

-- TUNISIAN INVESTMENT: Increasing the export profit accounts rate from 10 percent to 15 percent (2007) to 20 percent (2009); IMPACT: This grants exporters greater control over their convertible accounts, which are historically limited.

Increasing the annual ceiling for external Tunisian investment from 300,000 TD (approx. USD 227,000) to 1,000,000 TD (approx. USD 758,000) and to 3,000,000 TD (approx. USD 2,272,000) for exporters that finance their investments through export revenues, and increasing the annual ceilings for non-exporting enterprises from 100,000 TD (approx. USD 75,800) to 500,000 TD (approx. USD 379,000), with the aim of eventually eliminating these ceilings on a case-by-case basis. IMPACT: This change appears to be reflective of the recent depreciation of the dinar against the Euro, which has reduced the hard currency value of Tunisian investments.

15. (SBU) COMMENT. While the speech contained a number of new initiatives, none of them significantly decrease the state's role in the economy. However, the speech did give Ben Ali and opportunity to engage a key audience on one of his major administration initiatives, economic growth. As he makes few public appearances or speeches, this event indicates the

importance of economic development to Ben Ali's regime strength. END COMMENT.
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